MONTGOMERY WATSON

August 5, 1997

Integrated Environmental Services, Inc.
3990 Westerly Place, Suite 210
Newport Beach, CA 92660

Attention: Mr. Chris Stoker

Subject: Proposal for Remediation Services
McDonnell Douglas C-6 Facility
Los Angeles, California

Dear Chris:

Montgomery Watson appreciates the opportunity to propose on the above-referenced project. Our efforts over the last five years at the C-6 Facility and at other nearby sites have provided valuable insight into the local subsurface conditions. Our expectation in supporting McDonnell Douglas Realty Company (MDRC) would be to leverage this knowledge into a value-added remediation approach.

The objective of this project is to achieve final closure in the form of a no further action letter before remediation activities begin at the neighboring Del Amo or Montrose Superfund sites. The Regional Water Quality Control Board will continue to serve as the lead agency.

We understand that MDRC has established the following bright line goals for this project: (1) groundwater must be remediated to less than 10 times the maximum contaminant levels (MCLs), (2) residual soil contaminants must be reduced in concentration such that any future migration to groundwater will result in concentrations less than 10 times the MCLs, (3) the treatment system must be in-place and operational by December 30, 1997, and (4) cleanup goals and closure from the agency must be achieved within 24 months. Additionally, all work shall be compensated on a performance-based schedule.

After careful review, the following items have surfaced as concerns:

1) Montgomery Watson has already designed a treatment system for Douglas Aircraft Company to address the soil and groundwater contamination of interest at the C-6 Facility. Our design team has gained tremendous knowledge about subsurface conditions as a result of our efforts.

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Groundwater occurs within a sandy unit of the Bellflower Aquitard. We believe that groundwater will have to be pumped (and treated) at very high rates to achieve closure within 24 months. Stressing the aquifer by inducing such high pumping rates will potentially affect the natural flow direction. Plumes from the neighboring Amoco Chemical/Del Amo sites will likely be affected. Changes in the local flow patterns could deflect this plume(s) onto areas where it previously has not been discovered, including portions of the C-6 Facility. There is also potential to reverse the groundwater flow and capture these contaminants into the treatment system. Similarly, contaminant flow from other up-gradient sources onto the C-6 Facility will be induced.

Such conditions will diminish the chance to achieve closure within the required time frame and open the possibility for future litigation. We feel strongly that this is not in MDRC's best interest.

2) Our engineering and water resource talent can design and build a treatment system to overcome the flow problems presented in item No. 1 above. However, to design, test, and construct such a system to be operational by December 30, 1997 will not be cost-effective, and may be impossible due to circumstances beyond our control; applicable permits to implement our design may alone require several months to obtain.

3) There are wide fluctuations in groundwater quality at neighboring sites (where remediation activities are underway). We believe that at least one year of monitoring, and likely longer, will be required to receive closure from the agency. In most cases, monitoring programs up to five years are required after remediation systems have been turned off to ensure that cleanup goals have been met. No further action status can be received only after the agency is satisfied that cleanup goals have been permanently met. Additionally, agencies always reserve the right to re-open a project should regulatory, community, or site-specific factors change in the future.

In light of the aforementioned concerns, our executive management is not comfortable with the condition of performance-based fees as presented in the request for proposal. Regrettably, Montgomery Watson respectfully declines to propose on this project as the prime contractor under the currently offered terms.

However, we would be pleased to afford MDRC with the benefit of our knowledge and skill by providing licensed technical oversight of the remediation engineering and construction activities to help MDRC reach its project goals. Our engineering services have been extensively utilized by Douglas Aircraft Company throughout the area and we are pleased to offer this proven engineering talent to this important project. Our remediation design team leader, Ning-Wu Chang, Ph.D., P.E. will lead the oversight effort. Other qualified remediation engineers from Montgomery Watson Americas, Inc. will support Dr. Chang, and representatives of Montgomery Watson Constructors, Inc. will provide construction assistance as needed.

Additionally, Montgomery Watson responded to MDRC several months ago by providing a proposal for groundwater study at the C-6 Facility. The information submitted in our proposal was of value to MDRC, and we remain committed to performing the work contained therein.

Montgomery Watson is a premier engineering and water resource company in the world, with tremendous knowledge of local conditions at the C-6 Facility. We are confident that our resources, talent, and contacts can address MDRC's concerns to adequately remediate the C-6 Facility while not becoming entangled with environmental issues at neighboring sites.

We would be pleased to continue our discussions for providing the prime engineering and construction services for the remediation project should MDRC decide to consider alternative contracting methods.

Please call if you have any questions or require additional information.

Sincerely,

MONTGOMERY WATSON

M. Fred Strauss

M. Fred Strauss, R.G.
Principal Hydrogeologist

Ning-Wu Chang

Ning-Wu Chang, Ph.D., P.E.
Supervising Engineer

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